

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2013-199-WS ORDER NO. 2013-\_\_\_\_\_**  
**DECEMBER \_\_, 2013**

IN RE:	)	ORDER APPROVING
Application of United Utility Companies,	)	INCREASE IN RATES
Incorporated for Adjustment of Rates and	)	AND CHARGES,
Charges and Modifications of Certain Terms	)	RATE SCHEDULE
and Conditions for the Provision of Water and	)	MODIFICATIONS AND
Sewer Service	)	SETTLEMENT
_____	)	AGREEMENT

**INTRODUCTION**

This matter comes before the Public Service Commission of South Carolina (“the Commission”) on an application for approval of a new schedule of rates and charges for water and sewer services (“Application”) filed by United Utility Companies, Incorporated (“United” or the “Company”). United is a National Association of Regulatory Utility Commissioners (“NARUC”) Class B water and wastewater utility. United provides water and wastewater service to certain residents of Anderson, Cherokee, Greenville, Greenwood, Oconee, and Union Counties. United provides water distribution services to 101 residential customers and wastewater collection and treatment services to 1,479 residential and commercial customers.

This matter was initiated on June 28, 2013 when United filed an Application with the Commission for the adjustment of its rates and charges and for modifications of certain

terms and conditions for the provision of water and sewer service to its customers. See S.C. Code Ann. §58-5-240 (Supp. 2012).

The Commission instructed United to publish a prepared Notice of Filing in a newspaper of general circulation in the areas affected by United's Application. The Notice of Filing indicated the nature of the Application and advised all interested persons desiring to participate in the scheduled proceedings of the manner and time in which to file appropriate pleadings for inclusion in the proceedings. In the same correspondence, the Commission also instructed United to notify each customer affected by the Application. United furnished the Commission with an Affidavit of Publication, demonstrating that the Notice of Filing had been duly published, and with a letter, in which United certified compliance with the Commission's instruction to mail a copy of the Notice of Filing to all customers affected by the Application. The Commission issued a Notice of Filing and Hearing in this matter on July 12, 2013, setting this matter for a full hearing before the Commission. Originally scheduled for October 24, 2013, the hearing was subsequently rescheduled for October 22, 2013.

By its Application, the rate sought by the Company would permit it the opportunity to earn an additional \$465,890 in annual revenues.

On August 22, 2013 North Greenville University ("NGU"), filed a petition to intervene in this matter. No other petition to intervene was filed in this case in response to the Notice of Filing and Hearing. Pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2012), the South Carolina Office of Regulatory Staff ("ORS") is a party of record in this proceeding.

On October 21, 2013, United and ORS (the “Settling Parties”) filed a Settlement Agreement (the “Settlement Agreement”) with the Commission. The Settling Parties represented to the Commission that they had negotiated a resolution to the issues presented in this case and determined that their interests would best be served by settling under the terms and conditions set forth in the Settlement Agreement which is attached hereto as Order Exhibit 1. ORS stated in the Settlement Agreement that the settlement serves the public interest, preserves the financial integrity of the Company, and promotes economic development within the State of South Carolina. The Settlement Agreement provides for monthly residential sewer service rates of \$69.96 per month, a minimum commercial rate of \$69.96 per single family equivalent (“SFE”), a flat rate of \$51.39 per month for mobile home sewer service, and a flat rate of \$36.24 per month for collection only service for both residential and commercial customers. The Settlement Agreement further provided for an increase in water rates to allow United to charge its water customers a base facility charge of \$21.00 per month and a commodity charge of \$10.77 per 1,000 gallons. These rates produce additional annual operating revenues of \$298,866 at a 9.35% Return on Equity (“ROE”) rate and a resulting operating margin of 11.21%. The Parties stated in the Settlement Agreement their belief that these rates, and certain modifications and additions to the Company’s rate schedule, are just and reasonable.

On August 28, 2013 the Commission issued Order No. 2013-618 granting the request of Senator Tom Corbin and the Fairwood, Canterbury and Lake Trollingwood Homeowners Associations for local public hearings in Greenville and Union Counties and ordered the Commission Staff to schedule public hearings in this case.

**I. TESTIMONY RECEIVED FROM THE SETTLING PARTIES, THE  
INTERVENORS AND THE PUBLIC WITNESSES**

Under Commission Order No. 2013-618 public hearings were set and noticed by the Commission to be held at the Union City Hall on October 17, 2013 at 6:00 pm and Greenville County Council Chambers on October 10, 2013 at 6:00 pm. Approximately 35 members of the public were present at the public hearing in Greenville and of that number, 16 appeared as witnesses to provide testimony and documentary evidence. A public hearing was held in the offices of the Commission on October 24, 2013, beginning at 10:00 a.m., to receive testimony from the Settling Parties, the Intervenor NGU, and any public witnesses. The Honorable G. O'Neal Hamilton, Chairman of the Commission, presided. United was represented by Charles L. A. Terreni, Esquire and Scott Elliott, Esquire. ORS was represented by Jeffrey M. Nelson, Esquire and Florence P. Belser, Esquire. The Intervenor was represented by Duke K. McCall, Esquire, and Zandra L. Johnson, Esquire.

At the beginning of the hearing, the Commission received and accepted into the record the Settlement Agreement as Hearing Exhibit Number 8 without objection. By agreement of the parties, the pre-filed direct testimonies (and, where applicable, exhibits) of United witnesses Dylan D'Ascendis and Pauline Ahern were stipulated into the record. United presented the Direct Testimony and Exhibits of Patrick Flynn, Karen Sasic, and Mack Mitchell and the Settlement testimony of Richard J. Durham. ORS presented the Revised Direct testimony and Exhibits of ORS witnesses Henry Webster and Dawn Hipp and the Direct Testimony and Exhibits of Dr. Douglas Carlisle. Ms. Hipp also provided testimony in support of the Settlement Agreement. The Intervenor NGU presented the Direct and Surrebuttal testimony of NGU President Dr. James Epting.

All of the witnesses for the Company, with the exception of Mr. D'Ascendis and Ms. Ahern, were sworn in, had their pre-filed direct testimonies accepted into the record, presented summaries of their testimonies, and were made available for cross-examination by the parties and examination by the Commission. The Company further presented the Direct/Settlement testimony of Richard J. Durham in support of the Settlement and in response to the testimony of the Intervenor NGU and public witnesses. Mr. Durham testified that under the terms of the Settlement Agreement United would produce additional operating revenues of \$298,866; a reduction in the additional revenues requested in United's application of \$167,024. Mr. Durham further testified that the Agreement provided for a 9.35% return on equity, a 7.9% return on rate base and an operating margin of 11.21%.

Mr. Durham noted that due to upward pressure on expenses and continued capital deployment, since 2003 United had lost money every year except for 2003, 2004 and 2010 and had only produced a net income in 2010 due to its divestiture of two subdivisions on the United system. He further stated that United had invested approximately \$3 million in capital since 2000. Under examination from the Commission, Mr. Durham stated that although it is difficult to justify a 30% increase in rates to United's customers, United was engaged in a very capital intensive business and that to continue to making the capital investments necessary to keep the system running that a rate increase was necessary.

In response to arguments made by both public witnesses and the Intervenor that United's sewer rates should be based on water consumption as opposed to a flat rate, Mr. Durham asserted that as United does not provide water service to the vast majority of its sewer customers that the Company does not have ready access to its customers water usage

data on which to base a consumption based sewerage bill. He further stated that as water consumption may not be an accurate indicator of some customer's sewerage consumption, such as those who irrigate, that some customers may prefer being billed on a flat rate basis.

In response to Commission questions regarding the desirability of consolidation of the five Utilities, Inc. companies operating in South Carolina, of which United is one, Mr. Durham stated that Utilities, Inc. was interested in exploring consolidation and believed that, by doing so, large capital investments could be spread across a larger customer base providing for greater rate stabilization. He cautioned, however, that if such a consolidation were to occur that some customers may object to their cross-subsidization of significant capital improvements made on other systems.

Mr. Durham asserted that the Settlement Agreement produces rates and a rate design which is, fair and reasonable and urged the Commission to approve the Settlement Agreement.

Mr. Flynn provided testimony regarding the details of some of the more substantial capital investments made by United, including the installation of new aerobic digesters at United's Briarcreek Wastewater Treatment Plants (WWTP) #1 and #2 and the Highland Forest WWTP. He further testified that United had increased its operations staff in the Greenville area to operate the NGU WWTP satisfactorily, had initiated Water Effect Ratio Studies at the Valleybrook, Canterbury, and Highland Forest WWTP's, refurbished the iron removal filters in Trollingwood, and replaced the effluent weirs at the Canterbury and Trollingwood WWTP's. Mr. Flynn also testified regarding United's sewer service to NGU and provided details regarding the Company's calculations of the SFE count used in computing NGU's sewer bill. In response to Commissioners' questions, Mr. Flynn stated

that it would be cost prohibitive for the Company to bill customers based on water usage or actual wastewater discharge as suggested by the Intervenor. Mr. Flynn estimated that it would require an initial investment of approximately \$1,000 per connection plus additional on-going operation and maintenance expenses. Mr. Flynn stated that only in Trollingwood, a neighborhood to which United provides both water and sewer service, would it be economically feasible for United to bill for sewer service based on water consumption. Finally, Mr. Flynn provided testimony in support of the Company's requested changes to its tariff to replace the existing reconnection charge with a disconnection charge, and the establishment of both meter installation and tampering fees.

The direct and surrebuttal testimony of Dr. Epting was presented by the intervenor NGU. Dr. Epting was made available for cross-examination and examination by the Commission. Dr. Epting challenged both the Company's and ORS' calculation of SFEs for NGU as well as United's requested sewer rate increase. He stated that ORS' calculation of SFE's based on a resident student population of 1,550 students was inaccurate as a number of those students lived in housing being served by septic tanks. Dr. Epting further testified that the proposed increase would create a financial hardship for NGU and, consequently, its students. Dr. Epting proposed that a separate rate category be implemented by United for schools and Universities, rather than one which is based on SFEs. Dr. Epting stated that the use of SFEs is unfair to schools due to the seasonal nature of their use. He proposed that NGU's sewer bill be based on actual water consumption. Dr. Epting did not, however, suggest a specific rate to be charged to NGU and similarly situated customers based upon "actual water usage" or demonstrate what impact such a

rate would have upon the rate design for residential and other commercial customers served by United.

Mr. Webster testified that as part of a comprehensive settlement of all issues in this matter, United had agreed to certain accounting adjustments by ORS, which would allow the Company the opportunity to earn an additional \$298,866.00 in annual revenue. The agreed upon accounting adjustments are as follows: (1) monthly rates of \$69.96 for residential sewer customers, (2) \$69.96 (minimum) per single family equivalent for commercial sewer customers, (3) \$51.39 per month for mobile home sewer service, (4) \$36.24 per month for sewer collection only service, (5) for its water customers a base facility charge of \$21.00 per month, and (6) a commodity charge of \$10.77 per 1,000 gallons. According to Mr. Webster the agreed upon monthly rates result in an operating margin of 11.21% and a return on rate base of 7.90%. Mr. Webster explained that upon examining the books and records of the Company, ORS proposed, and United accepted, all of ORS' proposed thirty six (36) accounting and pro forma adjustments necessary to normalize the results of United's test year operations. ORS proposed adjustments to remove non-allowable, non-recurring, non-regulatory and outside the test year expenses as well as to remove a portion of the allocated overhead proposed by the Company. The net effect of the proposed adjustments was a reduction in the Company's pro forma proposed operating expenses in the amount of \$98,655, which was accepted by United as part of the Settlement Agreement, and an as-adjusted test year operating margin of 11.21%.

Mr. Webster further noted that ORS had examined the Company's rate case expenses, which by the terms of the Agreement the Parties had agreed to cap at \$30,000 for the test year based on a five-year amortization. Mr. Webster testified that ORS had agreed



to include in this figure, subject to audit, additional rate case expenses incurred by the Company, post-hearing, not to exceed the agreed upon total of \$150,000. Mr. Webster testified that recognition of additional rate case expenses incurred by the Company would not be used to increase the amount of additional annual revenue agreed to by the Settling Parties.

In support of the Settlement Agreement, Ms. Hipp testified that United is a NARUC Class B wastewater utility and Class C water utility providing service to portions of Anderson, Cherokee, Greenville, Greenwood, Oconee and Union Counties. According to information contained in the Company's Application, wastewater collection and treatment services were provided to 1,474 SFE's and water supply/distribution to 101 SFE's. Ms. Hipp testified that as part of ORS's Business Office Compliance Review, ORS found that United's three water supply and distribution systems were in compliance with Commission rules and regulations and were in apparent compliance with Department of Health and Environmental Control ("DHEC") requirements and were rated as "SATISFACTORY" during the last sanitary survey. DHEC rated several of United's wastewater systems as "UNSATISFACTORY" during their last evaluation inspection, including: Trollingwood for flow measurement of the effluent; Canterbury for the effluent not meeting NPDES permits and debris blocking the outfall of the effluent pipe; and Valleybrook and NGU for the effluent not meeting NPDES permits.

ORS made adjustments to the Company's per books service revenues in the amount of \$17,016 which, according to Ms. Hipp, was computed using detailed customer billing data and corresponding SFE ratings for each customer as provided by United during the audit process. With these adjustments, ORS calculated United's test year service revenue

for residential and commercial sewer operations, as adjusted to be \$883,227. Ms. Hipp stated that the rates and charges resulting from the Settlement Agreement are fair and reasonable to both the Company and its customers.

Dr. Carlisle's Direct Testimony addressing the issue of a fair and reasonable ROE was read into the record and Dr. Carlisle was made available for questions from the Intervenor and the Commissioners. In his summary from the witness stand, Dr. Carlisle supported the 9.35% ROE agreed to by the Settling Parties as a fair and reasonable rate and stated that this figure was the mid-point of the recommended ROE range of 9.60% to 8.86% contained in his pre-filed Direct testimony.

In addition to the Settlement Testimony of Mr. Durham, the Company additionally presented the portions of the testimonies of Ms. Karen Sasic and Mr. Mac Mitchell which responded to the testimonies of the intervenor witness and public witnesses. These witnesses provided summaries of their testimonies and were made available for cross-examination and examination by the Commission.

In Ms. Sasic's response to public witness testimonies, she addressed the specific concerns raised by each of the public witnesses who had testified at the night hearings held by the Commission on October 10 and 17, 2013 in Greenville and Union.

Mr. Mitchell was made available for questions from the Intervenor or the Commission regarding company operations and capital investments made by the Company since United's last rate case test year which ended December 31, 2008. Mr. Mitchell testified in response to Commissioner and Intervenor questions that United utilizes the DHEC contributory loading guidelines and had been employing the single family equivalency rating system in its rate design since before he joined the company in 2003.

Mr. Mitchell further testified that the company employed and strictly followed the DHEC guidelines and did not vary from these guidelines based on seasonal use or NGU's academic year. Mr. Mitchell stated that there was no reduction in costs to operate the wastewater treatment plants at periods of lower volume as all of the plant machinery (such as motors and blowers) needed to continue to operate regardless of the capacity at which the plant was operating. Mr. Mitchell stated that the DHEC guidelines are maximum design guidelines which are used as a means to distribute a sewer utility's revenue requirement among its various customers.

## **II. FINDINGS OF FACT**

Based upon the Application, the Settlement Agreement, the testimony and exhibits received into evidence at the hearing, and the entire record of these proceedings, the Commission makes the following findings of fact:

1. By statute, the Commission is vested with jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the duty, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State. S.C. Code Ann. § 58-5-210 (1976). The Company is engaged in the business of providing water and wastewater collection and treatment services to the public for compensation in portions of Anderson, Cherokee, Greenville, Greenwood and Union counties and is therefore a public utility subject to the Commission's jurisdiction.

2. The Company is lawfully before the Commission on an application for rate relief and modifications to the terms and conditions of its services pursuant to S.C. Code Ann. §58-5-240(A) (Supp. 2012) and 10 S.C. Code Ann. Regs. 103-503 and 103-512.4.A (2012).

3. The appropriate test year for use in this proceeding is January 1, 2012 to December 31, 2012.

4. The Company, by its application originally sought an increase in its annual combined water and sewer service revenues of \$465,890 based upon proposed monthly residential sewer service rates of \$83.39 per month, a minimum commercial rate of \$83.39 per single family equivalent (“SFE”), a flat rate of \$61.51 per month for mobile home sewer service, a flat rate of \$42.63 per month for collection only service for both residential and commercial customers and for water customers a base facility charge of \$21.00 per month and a commodity charge of \$10.77 per 1,000 gallons.

5. The Company submitted evidence in this case with respect to its revenues and expenses using a test year consisting of the twelve (12) months ended December 31, 2012. The Settlement Agreement is based upon the same test year and reflects ORS’s proposed adjustments to the test year revenue and expense figures submitted by United.

6. The Intervenor submitted no evidence with respect to United’s test year revenues and expenses as proposed; the revenues and expenses as adjusted by ORS and resulting from the Settlement Agreement; or the revenues, expenses or resulting rates which would arise from adoption of the Intervenor’s proposed alternative rate design requiring that monthly sewer service charges be based upon metered customer water consumption or actual wastewater flow. Similarly, the Intervenor submitted no evidence of the effect on

revenues, expenses or rates of their proposed special rate for NGU and other schools on the United system.

7. The Settlement Agreement resolving the issues in this proceeding as between the Settling Parties was filed by ORS on October 21, 2013.

8. The Settlement Agreement provides for an increase in operating revenues, after accounting and pro forma adjustments, of \$298,866, based upon the proposed charges as set forth in Paragraph 6 herein and an agreed upon 9.35% ROE. These rates result in an operating margin of 11.21%.

9. After careful review and consideration by this Commission of the Settlement Agreement and the evidence contained in the record of this case, including the testimony of the witnesses and the hearing exhibits, the Commission finds and concludes that the Settlement Agreement results in just and reasonable rates and charges for the provision of water and sewer services. Based on the operating revenues, income, and expenses agreed upon by the Settling Parties, the resulting allowable operating margin for the Company is 11.21%. See S.C. Code Ann. § 58-5-240(H) (Supp. 2012).

10. The Commission finds that United has invested approximately \$3,000,000 in plant, equipment and facilities and that its expenses have increased by \$156,246 since its last rate relief proceeding. The rates and charges reflected in the rate schedule agreed to by the Parties in the Settlement Agreement, which rate schedule is hereby adopted and attached to this Order as Settlement Exhibit No. 1, are just and reasonable, fairly distribute the costs of providing service as reflected in the Company's revenue requirement and allow United to continue to provide its customers with adequate water and sewer service. We find that the rate schedule agreed to by the Settling Parties provides terms and conditions for water and

sewer service that are also just and reasonable. Further, the agreed upon rates allow the Company an opportunity to earn a reasonable return on its investment. We therefore find that the proposed rates, charges, and terms and conditions of service contained in the rate schedule attached as Settlement Exhibit No. 1, are just and reasonable and are hereby approved in their entirety.

11. The Commission finds that the proposed modifications and additions to the terms and conditions of the Company's water and sewer service, specifically the language providing for the establishment of: (1) a \$40 non-recurring water disconnection charge, (2) a \$500 (no elder valve) or \$40 (elder valve) non-recurring sewer disconnection charge, (3) a \$35.00 meter installation fee, and (4) a tampering charge of up to \$250 per occurrence for actual costs incurred by United are appropriate, just and reasonable. The Commission further finds that the proposed increase in the notification fee charged by United for delinquent sewer customers is reasonable.

12. By agreement of the Settling Parties the Company's request for the establishment of a leak mitigation fund charge to United's customers is denied.

### **III. EVIDENCE FOR FINDINGS OF FACT AND CONCLUSIONS OF LAW 1-3**

The Company is a public utility subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. § 58-3-140(A) (Supp. 2012) and 58-5-210 (1976). The Commission requires the use of an historic twelve-month test period under 10 S.C. Code Ann. Regs. 103-823(A)(3) (2012). These findings of fact and conclusions of law are informational, procedural and jurisdictional in nature and are not contested by any party of record in this proceeding.

#### **IV. EVIDENCE FOR FINDINGS OF FACT AND CONCLUSIONS OF LAW 4-**

##### **12**

The Commission last approved an increase in United's rates in Order No. 2012-547 issued July 17, 2012, in Docket No. 2009-479-WS, which allowed an operating margin for the Company of 9.09% and utilized a test year for the twelve months ending December 31, 2008. On June 28, 2013, United filed its application seeking an increase in annual operating revenues of \$465,890. The Company and ORS submitted evidence in this case with respect to revenues and expenses using a test year for the twelve months ending December 31, 2012. The Settlement Agreement filed by the Settling Parties on October 21, 2013, is based upon the same test year and provides for an increase in annual operating revenues of \$298,866, based on a ROE of 9.35% which results in an operating margin of 11.21% based upon the Company's revenues and allowable expenses.

a) Basis for Rate Relief

Company witness Lubertoizzi testified that the Company had experienced in excess of 15% increase in its operation expenses and made significant capital investments since its last rate relief proceeding. Although, the increase in allowable expenses reflected in the testimony of ORS witness Webster and his Revised Exhibit HNW-1 is less than initially asserted by the Company, the Settling Parties agreed that the Company's expenses have increased significantly and the Company is experiencing an operating margin which is less than that previously approved for it by this Commission. No testimony from the Intervenor or any public witness disputed the facts or figures described in the foregoing Company and ORS witness testimonies

b) Approved Rates and Resulting Operating Margin

Company witness Durham asserted that the charges resulting from the terms of the Settlement Agreement were just and reasonable. In her testimony, ORS witness Webster stated that the rates agreed to by the Settling Parties in the Settlement Agreement generated an 11.21% operating margin. ORS witness Hipp testified that the settlement rates were appropriate. As noted above, no witness for the Intervenor proposed a specific rate to be used in their recommended alternative rate designs.

c) Additions to and changes in the terms and conditions of service

The Company and ORS propose four changes in the United rate schedule: (1) a \$40 non-recurring water disconnection charge, (2) a \$500 (no elder valve) or \$40 (elder valve) non-recurring sewer disconnection charge, (3) a \$35 meter installation fee, and (4) a tampering charge of up to \$250 per occurrence for actual costs incurred by United are appropriate. The Commission finds that these proposed changes to the Company's rate schedule are just, fair and reasonable. The Commission further finds that the proposed increase in the notification fee charged by United for delinquent sewer customers is reasonable.

The testimony of ORS witness Hipp reflects that ORS has investigated the actual costs to the Company of providing the services which these specific non-recurring charges are sought. According to Ms. Hipp, this language and the associated charges are acceptable in order to prevent the general body of ratepayers from paying a share of these costs which should be charged to those individual ratepayers causing or incurring such expenses. No Intervenor witness or public witness commented on these changes to United's tariff.



d) Rate Design

Aside from the question of the method used by ORS to calculate NGU's SFE count, the proper rate design for United is the only disputed issue presented by the parties in this proceeding. The Settlement Agreement contemplates that the current rate design featuring a flat monthly charge for sewer service per SFE, with a minimum commercial charge for all commercial customers including NGU, based upon one (1) SFE, be retained. While Dr. Epting proposed either an alternative rate design based upon customers' metered water consumption or a modification to the current rate design which would create a separate category for schools and Universities, he did not propose any alternative rate design to generate the additional annual revenue found appropriate for the Company or ways in which any additional costs arising from the alternative rate design (i.e., obtaining metered water consumption data) should be recovered.

Further, the Intervenor's alternative rate design proposal is not feasible. As noted above, United does not have access to water billing records or the right to meter flow from the municipal systems which provides water service to NGU or other United customers to affect the alternative rate design proposed by the Intervenor. Also, in order to implement this alternative rate design, the Company would be required to incur undetermined costs which would necessarily be passed on to the customer. The Intervenor witness offered no information with respect to the amount of these costs and, as noted above, no suggestion regarding the rates which would result.

Although NGU stated in its objection to the continuation of the current flat monthly sewer charge rate design, on the ground that the University discharges less wastewater during certain periods of the year due to breaks in the school calendar, as testified to by

Mr. Mitchell the Company is required to make capacity available in its system to serve NGU based on maximum potential flow. United therefore cannot reduce the number of SFE's used to calculate rates when NGU's dormitories are vacant during vacation breaks. Further, and as noted by Company witness Durham, some level of subsidization within a class of customers will always exist in any uniform rate design as differences in occupancy levels and usage patterns will inevitably exist between customers in a given class. As noted above, uniform rates are generally preferred and the burden of establishing the reasonableness of a non-uniform rate design lies with those seeking it. See August Kohn and Co., Inc. v. The Public Service Commission of South Carolina, 281 S.C. 28, 313 S.E.2d 630 (1984). For the reasons discussed above, we conclude that this burden has not been met in the instant case by the Intervenor or public witnesses.

Rate design is a matter of discretion for the Commission. In establishing rates, it is incumbent upon us to fix rates which "distribute fairly the revenue requirements [of the utility.]" See Seabrook Island Property Owners Association v. S.C. Public Service Comm'n, 303 S.C. 493, 499, 401 S.E.2d 672, 675 (1991). Our determination of "fairness" with respect to the distribution of the Company's revenue requirement is subject to the requirement that it be based upon some objective and measurable framework. See Utilities Services of South Carolina, Inc. v. South Carolina Office of Regulatory Staff, 392 S.C. 96, 113-114, 708 S.E.2d 755, 764-765 (2011). The Supreme Court has approved of our use of single family equivalents in the rate design for a sewer utility where the evidence supports it. See Seabrook Island Property Owners Ass'n v. South Carolina Public Service Commission, 303 S.C. 493, 401 S.E.2d 672 (1991). The current rate design providing for uniform, flat rates for residential customers meets this requirement in that it recognizes that

even though residential wastewater flow can vary considerably by and among customers, there is no means by which these variances in demand may be readily and economically measured. Thus, spreading the cost associated with that service equally among all customers within the class based upon design guidelines projecting their relative maximum daily wastewater discharges is both objective and measurable. Similarly, the imposition of flat rates on commercial customers based upon equivalencies established under the DHEC guidelines found in Appendix A to R. 61-67 satisfies this requirement in that it treats similarly situated commercial customers uniformly, while recognizing that differences exist in the pollutant strength of wastewater and the volume of wastewater flow between commercial and residential customers. We decline to adopt the alternative rate design proposed by the Intervenor as it is not based upon a measurable framework in view of the fact that the Company does not have access to metered water consumption data for its customers. By its failure to identify a method to allocate the additional costs for metering or collect the data necessary to implement its alternative rate design, the Intervenor's proposal does not satisfy the requirement for a rate design which fairly distributes the cost of providing service among all of United's customers. See *Utilities Services of South Carolina, Inc.*, *supra*.

In conclusion, the rate design proposed by the Settlement Agreement is reasonable as it satisfies the foregoing requirements whereas the Intervenor's proposed alternative or modified rate designs simply do not.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Settlement Agreement, including attachments is attached hereto as Order Exhibit 1, is incorporated into and made a part of this Order by reference.
2. The Settlement Agreement between the Parties is adopted by this Commission and is approved as it produces rates that are just and reasonable and in the public interest as well as authorizing a reasonable operating margin for the Company.
3. The rates imposed shall be those rates agreed upon in the Settlement Agreement between the Settling Parties as shown in Settlement Exhibit 1, and shall be effective for service rendered by the Company on and after the date of this order.
4. The additional revenues that the Company is entitled to the opportunity to earn results in an operating margin of 11.21%.
5. The Company's books and records shall be maintained according to the NARUC Uniform System of Accounts.
6. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

\_\_\_\_\_  
G. O'Neal Hamilton, Chairman

ATTEST:

\_\_\_\_\_  
Nikiya Hall, Vice-Chairman

**BEFORE**

**THE PUBLIC SERVICE COMMISSION OF**

**SOUTH CAROLINA**

**DOCKET NO. 2013-199-WS**

**October 18, 2013**

IN RE: Application of United Utility )  
Companies, Inc. For Adjustment of ) **SETTLEMENT AGREEMENT**  
Rates and Charges and Modifications of )  
Certain Terms and Conditions for the )  
Provision of Water and Sewer Service )

This Settlement Agreement is made by and between United Utility Companies, Inc. (“United” or the “Company”) and the South Carolina Office of Regulatory Staff (“ORS”), whom may collectively be referred to as the “Parties” or sometimes individually as a “Party”.

WHEREAS, on June 28, 2013, United filed an Application for the Adjustment of Rates and Charges (the “Application”) requesting that the Commission approve the revised rates, charges, conditions, and terms of service in certain areas of Anderson, Cherokee, Greenville, Greenwood and Union counties;

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the “Commission”) pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2012) and 10 S.C. Code Ann. Regs. 103-512.4.B and 103-712.4.B;

WHEREAS, the Company provides sewer service to approximately 1,500 sewer customers in Anderson, Cherokee, Greenville, Greenwood and Union Counties and approximately 100 customers on three water systems in Greenville County, South Carolina;

WHEREAS, ORS has examined the books and records of the Company relative to the issues raised in the Application and has conducted financial, business, and site inspections of United and its wastewater collection and treatment facilities; and

WHEREAS, the Parties have engaged in discussions to determine whether a settlement in this proceeding would be in the best interests of the Company and in the public interest;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order addressing the merits of this proceeding, will result in rates and charges for sewer and water service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable operating margin.

1. The Parties stipulate and agree to the rate schedule attached hereto and incorporated herein by reference as Settlement Agreement Exhibit 1. As reflected therein, the Parties have agreed to a flat rate of \$69.96 per month for residential sewer service, a flat rate of \$51.39 per month for mobile home sewer service, a minimum flat rate of \$69.96 per month for each single-family equivalent ("SFE") for commercial service, and a flat rate of \$36.24 per month for sewer collection only service for both residential and commercial customers. The Parties further agree that there shall be an increase in rates for water service and that the Company will charge its water customers a base facility charge of \$21.00 per month and a commodity charge of \$10.77 per 1,000 gallons.

2. The Parties agree that the above stated rates are fair, just, and reasonable to customers of the Company's system while also providing the opportunity to earn a fair operating margin at an agreed upon 9.35% Return on Equity Rate which produces additional revenue of \$298,866.00. The Parties stipulate that the resultant operating margin is 11.21%.

3. The Parties agree that ORS shall have access to all books and records of this system and shall perform an examination of these books as necessary.

4. United agrees to continue to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts as required by the Commission's rules and regulations.

5. The Company agrees to file all necessary documents, bonds, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of a water and sewer system.

6. The Company agrees that this system is a "public utility" subject to the jurisdiction of the Commission as provided in S.C. Code Ann. § 58-5-10(4) (Supp. 2012). The Company agrees to maintain its current Irrevocable Letters of Credit in amount of Three Hundred Fifty Thousand (\$350,000.00) Dollars in satisfaction of the requirements set forth in S.C. Code Ann. § 58-5-720 (Supp. 2012) for sewer service and One Hundred Thousand (\$100,000) Dollars for water service.

7. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.

8. The Parties agree to stipulate into the record the pre-filed direct testimonies and exhibits of Steven Lubertoizzi, Karen Sasic, Patrick Flynn, Dylan D'Ascendis, and Pauline Ahern on behalf of United, as well as the pre-filed revised direct testimony and Audit Exhibits HNW-1 through HNW-8 of ORS witness Henry N. Webster, II, the pre-filed revised direct testimony and

Exhibits DMH-1 through DMH-6 of ORS witness Dawn M. Hipp, and the direct testimony and Exhibits DHC-1 through DHC-14 of ORS witness Douglas H. Carlisle in support of this Settlement Agreement.

9. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2012). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

10. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future Commission proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

11. This Settlement Agreement shall be interpreted according to South Carolina law.



12. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

13. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, either Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Settlement Agreement is based, either Party may withdraw from the Settlement Agreement with written notice to the other Party.

**[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]**

**Representing the South Carolina Office of Regulatory Staff**



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Jeffrey M. Nelson, Esquire

Florence P. Belser, Esquire

**South Carolina Office of Regulatory Staff**

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**Representing United Utilities Companies, Inc.**

A handwritten signature in blue ink, appearing to read 'Scott Elliott', is written over a horizontal line.

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SCHEDULE OF PROPOSED RATES AND CHARGES

WATER

1. Monthly Charges

Proposed

Residential

Monthly charge per single-family house,  
Condominium, mobile home, or apartment unit:

Base Facilities Charge	\$21.00 per unit
Commodity Charge	\$10.77 per 1,000 gallons or 134 cft

Commercial

Base Facilities Charge	\$21.00 per unit
Commodity Charge	\$10.77 per 1,000 gallons or 134 cft.

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

When it is impractical to meter each unit separately because of the method of water line installation utilized by the developer or owner, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

For the convenience of the owner, the Utility will bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

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2. <u>Non-Recurring Charges</u>	<u>Proposed</u>
A) Water service connection charge per single family equivalent	\$100.00
B) Plant impact fee per single family equivalent	\$400.00
C) Water meter – 5/8 inches x 3/4 meter	\$35.00

All 5/8 inch x 3/4 inch water meters shall meet the Utility's standards and shall be installed by the Utility. A one-time meter fee of \$35 shall be due upon installation for those locations where no 5/8 inch x 3/4 inch meter has been provided by a developer to the Utility.

For the installation of all other meters, the customer shall be billed for the Utility's **actual cost** of installation. All such meters shall meet the Utility's standards and be installed by the Utility unless the Utility directs otherwise.

The non-recurring charges listed above are minimum charges and apply even if the equivalency rating of the non-residential customer is less than one (1). If the equivalency rating of a non-residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the water system is requested.

3. Account Set-Up and Disconnection Charges

- |   |         |
|---|---------|
| a. Customer Account Charge – for new customers only | \$30.00 |
|---|---------|
- b. Disconnection Charges: In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R.103-732.5, and the customer has been found to have vacated his premises or the customer has shown his intent to vacate his premises and the imposition of a reconnection charge is not feasible, a disconnection fee shall be due in the amount of forty dollars (\$40.00) and shall be due prior to the Utility reconnecting service.
- c. Tampering Charge: In the event the Utility's equipment, water mains, water lines, meters, curb stops, service lines, valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.

4. Billing Cycle

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

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5. Late Payment Charges

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half percent (1 ½%) for each month, or any part of month, that said payment is late.

6. Cross-Connection Inspection

Any customer installing, permitting to be installed, or maintain any cross connection between the Utility's water system and any other non-public water system, sewer or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R61-58.7.F, as may be amended from time to time. Such a customer shall annually have such cross connection inspected by a licensed certified tester and provide to Utility a copy of a written inspection report and testing results submitted by the certified tester in accordance with 24A S.C. Code Ann. Regs. R61-58.7.F, as may be amended from time to time. Said report and results must be provided by the customer to the Utility within 30 days of inspection. If a customer fails to comply with the requirement to perform annual inspections, the Utility may disconnect water service after 30 days' written notice. The Utility shall provide affected customers with an advanced annual notification of such certification requirement.

7. Electronic Billing and Electronic Payment

If requested by the customer in writing and within the capabilities of the utility, the Utility may provide an electronic bill to the customer on the Utility's website, in lieu of mailing a paper copy. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-732.2 as may be amended from time to time. Late payment charges will not be triggered until twenty-five (25) days after the Utility issues the electronic bill and it leaves the control of the Utility or its billing agent. The Utility must provide notice to the customer that the bill form is available for review within twenty four hours of its issuance and the web address of its location.

8. Construction Standards

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed.

9. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any

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customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

\*A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities 25 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

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SCHEDULE OF PROPOSED RATES AND CHARGES

SEWER

1. Monthly Charges

Proposed

Residential

Monthly charge per single-family house,  
Condominium, condominium, villa or  
apartment unit:

\$69.96 per unit

Mobile Homes – monthly charge

\$51.39 per unit

Commercial

Monthly charge per single family equivalent\*

\$69.96

Charge for Sewage Collection Service Only

When sewage is collected by the Utility and transferred to a government body or agency, or other entity for treatment, the Utility's rates are as follows:

Residential

Monthly charge per single-family house,  
Condominium, condominium, villa or  
apartment unit:

\$36.24 per unit

Commercial

Monthly charge per single family equivalent\*

\$36.24 per unit

The Utility will also charge for treatment services provided by the government body or agency or other entity. The rates imposed or charged by the government body or agency or other entity providing treatment will be charged to the Utility's affected customers on a pro rata basis, without markup. Where the Utility is required under the terms of the 201/208 Plan to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup.

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.



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Solids Interceptor Tanks

For all customers receiving sewage collection service through an approved solids interceptor tank, the following additional charges shall apply:

A. Pumping Charge

At such time as the Utility determines through its inspection that excessive solids have accumulated at the interceptor tank, the Utility will arrange for pumping the tank, and will include \$150.00 as a separate item in the next regular billing to the customer.

B. Pump Repair or Replacement Charge

If a separate pump is required to transport the customer's sewage from solids interceptor tank to the Utility's sewage collection system, the Utility will arrange to have this pump repaired or replaced as required and will include the cost of such repair or replacement as a separate item in the next regular billing to the customer and may be paid for over a one-year period.

C. Visual Inspection Port

In order for a customer who uses a solids interceptor tank to receive sewage service from the Utility or to continue to receive such service, the customer shall install at the customer's expense a visual inspection port which will allow for observation of the contents of the solids interceptor tank and extraction of test samples therefrom. Failure to provide such visual inspection port after timely notice of not less than thirty (30) days shall be just cause for interruption of service until a visual inspection port has been installed.

2. Non-recurring Charges

- |  |          |
|--|----------|
| A) Sewer service connection charge per single family equivalent* | \$100.00 |
| B) Plant impact fee per single family equivalent*                | \$400.00 |

The non-recurring charges listed above are minimum charges and apply even if the equivalency rating of a non-residential customer is less than one (1). If the equivalency rating of a non-residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

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3. Notification, Account Set-Up and Disconnection Charges

- a. Notification fee: A fee of fifteen dollars (\$15.00) shall be charged to each customer per notice to whom the Utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.
- b. Customer Account Charge: A fee of thirty dollars (\$30.00) shall be charged as a one- time fee to defray the costs of initiating service. This charge will be waived if the customer is also a water customer.
- c. Disconnection Charges: In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R. 103-532.4, the customer is found to have vacated his premises or the customer has shown his intent to vacate his premises and the imposition of a reconnection charge is not feasible, a disconnection fee in the amount of \$500.00 shall be due at the time the customer disconnects service. Where an elder valve has been previously installed, a disconnection fee of forty dollars (\$40.00) shall be charged.
- d. Tampering Charge: In the event the Utility's equipment, sewage pipes, elder valves, service lines, valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.

4. Billing Cycle

Recurring charges will be billed monthly in arrears. Non-recurring charges will be billed and collected in advance of service being provided.

5. Late Payment Charges

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half percent (1½%) for each month, or any part of a month, that said payment is late.

6. Electronic Billing and Electronic Payment

If requested by the customer in writing and within the capabilities of the utility, the Utility may provide an electronic bill to the customer on the Utility's website, in lieu of mailing a paper copy. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-732.1 as may be amended from time to time. Late payment charges will not be triggered until twenty-five (25) days after the Utility issues the electronic bill and it leaves the control of the Utility or its billing agent. The Utility must provide notice to the customer that the bill form is available for review within twenty four hours of its issuance and the web address of its location.

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7. Toxic and Pretreatment Effluent Guidelines

The utility will not accept or treat any substance or material that has not been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403-.5 and 403.6 are to be processed according to pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

8. Construction Standards

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed.

9. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its sewer system. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless sewer capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the serving sewer system. In no event will the Utility be required to construct additional sewer treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

\*A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities 25 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.